

EXHIBIT 36

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



José B. Carrión III
Chair

Members

Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL

May 9, 2019

The Honorable Governor Ricardo Rosselló Nevares
Governor of Puerto Rico
La Fortaleza
P.O. Box 9020082
San Juan, PR 00902-0082

Dear Governor Rosselló Nevares:

The Oversight Board is committed to ensuring the adequate funding of services for the people of Puerto Rico. Many of these services, as made evident in the aftermath of hurricanes Irma and Maria, are provided at the municipal level. The fiscal situation of the Commonwealth, however, has led the Government and the Oversight Board to agree to phase out the municipal subsidy as a measure to prioritize much-needed General Fund funding. In the past two years, the Oversight Board has been working to better understand the fiscal situation at the municipal level by holding meetings with mayors, members of the Board of the *Centro de Recaudación de Ingresos Municipales* (“CRIM”), business associations, and members of your fiscal team. It is clear that a combination of property tax revenue and fiscal responsibility measures for the municipalities are needed.

The Oversight Board’s goal is to work with CRIM in order to implement, promote, and track revenue raising measures and to enhance the agency’s financial performance by increasing property tax revenue to support municipal governments. Revenue measures can be achieved at the administrative level and are not targeted at increasing property taxes. By working together to improve CRIM’s performance, the Government of Puerto Rico will be in a better position to eliminate other tax burdens which hinder business and economic development.

In 2016, CRIM was designated as a Covered Territorial Instrumentality pursuant to Section 101 of the Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA”). In accordance with Section 101(d)(1)(E) of PROMESA and the resolution attached hereto adopted by the Oversight Board at its May 9, 2019 meeting, the Oversight Board has determined that the Governor must provide the Oversight Board with an Instrumentality Fiscal Plan and an Instrumentality Budget for CRIM.

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The schedule for the process of developing, submitting, approving, and certifying the Fiscal Plan for CRIM pursuant to Section 201(a) of PROMESA, which should be developed in accordance with the attached outline, will be as follows:

- June 7, 2019 – Pursuant to § 201(c)(2), the Governor submits a proposed Fiscal Plan for CRIM to the Oversight Board.
- June 14, 2019 – Pursuant to § 201(c)(3)(B), if needed, the Oversight Board sends the Governor a notice of violation on the submitted Fiscal Plan.
- June 21, 2019 – Pursuant to § 201(d)(1), if needed, the Governor submits a revised proposed Fiscal Plan for CRIM to the Oversight Board.
- June 28, 2019 – Pursuant to § 201(e), the Oversight Board expects to certify CRIM's Fiscal Plan.

The establishment of a schedule for the process of developing, submitting, approving, and certifying a CRIM budget for FY2020 will be developed in consultation with you following the certification of a CRIM Fiscal Plan.

In addition, pursuant to Section 101 of PROMESA and the resolution attached hereto adopted by the Oversight Board at its May 9, 2019 meeting, the Oversight Board designated all 78 municipalities as Covered Territorial Instrumentalities subject to the requirements of PROMESA.

In terms of the submission of Instrumentality Fiscal Plans and Instrumentality Budgets required by Section 101(d)(1)(E) of PROMESA, the Oversight Board has determined in its resolution attached hereto adopted at its May 9, 2019 meeting, to apply this provision to an initial group of 10 municipalities as a pilot for assessing and enhancing municipal financial and budgetary practices, and for developing economic development strategies to address municipal fiscal challenges. As part of this pilot, the 10 municipalities will receive technical assistance from the Oversight Board and participate in working meetings and listening sessions to receive feedback from stakeholders. These initial actions should serve to begin achieving fiscally sustainable local units of government and help pave the way for broader municipal fiscal strengthening.

The 10 municipalities were selected considering a combination of factors such as fiscal challenges, impact of the reduction of transfers from the Central Government, and their experience implementing innovative and creative initiatives and collaborating with other municipalities. The selected municipalities are:

Quebradillas
Camuy
Isabela
San Sebastián
Orocovis

Barranquitas
Villalba
Aibonito
Comerio
Cidra

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The Governor must provide to the Oversight Board for each of these municipalities with an Instrumentality Fiscal Plan (“Municipal Fiscal Plan”), which should be developed in accordance with the attached outline, and an Instrumentality Budget (“Municipal Budget”) for certification. To facilitate the process of developing such fiscal plans and budgets, and in recognition of the autonomy of the municipalities, the Board intends to work directly with the municipalities during such process.

Pursuant to Section 201(a) of PROMESA, the schedule for developing, submitting, approving, and certifying the Municipal Fiscal Plans for the 10 municipalities is as follows:

- June 7, 2019 – Pursuant to § 201(c)(2), the Governor submits a proposed Municipal Fiscal Plan for each of the 10 municipalities to the Oversight Board to be subject to revision and eventual certification by the Oversight Board as described below.
- June 14, 2019 – Pursuant to § 201(c)(3)(B), if needed, the Oversight Board sends the Governor a notice of violation on the submitted Municipal Fiscal Plans.
- June 21, 2019 – Pursuant to § 201(d)(1), if needed, the Governor submits revised proposed Municipal Fiscal Plans for the 10 municipalities to the Oversight Board.
- June 28, 2019– Pursuant to § 201(e), the Oversight Board expects to certify Municipal Fiscal Plans.

The establishment of a schedule for the process of developing, submitting, approving, and certifying a budget for each such municipality for FY2020 will be developed in consultation with you and the municipalities in the pilot program. In accordance with PROMESA § 202(a), the Oversight Board shall retain sole discretion to set or, by delivery of a subsequent notice, to change the dates of such schedule as it deems appropriate and reasonably feasible.

The Oversight Board looks forward to working with you to accomplish the requirements and goals of PROMESA for the benefit of the people of Puerto Rico.

Sincerely,



José B. Carrión

Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

CC: Natalie A. Jaresko

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Hon. William Alicea Pérez, Mayor of the Municipality of Aibonito
Hon. Javier Carrasquillo Cruz, Mayor of the Municipality of Cidra
Hon. Jesús Colón Berlingerí, Mayor of the Municipality of Orocovis
Hon. Carlos Delgado Altieri, Mayor of the Municipality of Isabela
Hon. Edwin García Feliciano, Mayor of the Municipality of Camuy
Hon. Luis Javier Hernández Ortiz, Mayor of the Municipality of Villalba
Hon. Javier Jiménez Pérez, Mayor of the Municipality of San Sebastián
Hon. Francisco López López, Mayor of the Municipality of Barranquitas
Hon. José A. Santiago Rivera, Mayor of the Municipality of Comerío
Hon. Heriberto Vélez Vélez, Mayor of the Municipality of Quebradillas
Hon. Raúl Maldonado Gautier
Mr. Reinaldo Paniagua Látimer
Mr. Christian Sobrino Vega

Oversight Board Resolution Adopted at May 9, 2019 Public Meeting

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS, Section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico ("the Board"); and

WHEREAS, Section 101(d)(1)(A) of PROMESA provides that the Board, in its sole discretion, may designate any territorial instrumentality as a covered territorial instrumentality that is subject to the requirements of PROMESA; and

WHEREAS, Section 5(19) of PROMESA provides that the term "territorial instrumentality" means, among others, any political subdivision of the Commonwealth of Puerto Rico; and

WHEREAS, attached hereto as Exhibit 1 is a list of the 78 municipalities that comprise the Commonwealth of Puerto Rico, and which the Board desires to designate as covered territorial instrumentalities subject to the requirements of PROMESA; and

WHEREAS, Section 101(d)(1)(E) of PROMESA provides that (1) the Board, in its sole discretion, may designate a covered territorial instrumentality to be the subject of an Instrumentality Fiscal Plan (as such term is defined in PROMESA) separate from the Fiscal Plan for the Commonwealth of Puerto Rico and require the Governor to develop such Instrumentality Fiscal Plan, and (2) such covered territorial instrumentality shall also submit a separate Instrumentality Budget (as such term is defined in PROMESA); and

WHEREAS, attached hereto as Exhibit 2 is a list of 10 municipalities that the Board desires to designate as subject to a separate Instrumentality Fiscal Plan and as to each of which (1) the Governor shall develop such fiscal plan and (2) a separate Instrumentality Budget shall be submitted; and

WHEREAS, the Board desires to designate the *Centro de Recaudación de Ingresos Municipales* ("CRIM"), which was previously designated as a covered territorial instrumentality, which designation is hereby ratified, as subject to a separate Instrumentality Fiscal Plan and as to which (1) the Governor shall develop such fiscal plan and (2) a separate Instrumentality Budget shall be submitted;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board designates, pursuant to Section 101(d)(1)(A) of PROMESA, each of the 78 municipalities listed in Exhibit 1 attached hereto as a covered territorial instrumentality subject to the requirements of PROMESA; and it is

FURTHER RESOLVED that the Board designates, pursuant to Section 101(d)(1)(E) of PROMESA, each of the 10 municipalities listed in Exhibit 2 attached hereto as subject to a separate Instrumentality Fiscal Plan and for which a separate Instrumentality Budget shall

be submitted, all in accordance with such notice as the Board shall deliver to the Governor pursuant to Sections 201 and 202 of PROMESA setting forth the schedule for developing, submitting, approving and certifying said Fiscal Plans and Budgets; and it is

FURTHER RESOLVED that the Board designates, pursuant to Section 101(d)(1)(E) of PROMESA, *Centro de Recaudación de Ingresos Municipales* ("CRIM") as subject to a separate Instrumentality Fiscal Plan and for which a separate Instrumentality Budget shall be submitted, all in accordance with such notice as the Board shall deliver to the Governor pursuant to Sections 201 and 202 of PROMESA setting forth the schedule for developing, submitting, approving and certifying said Fiscal Plan and Budget.

EXHIBIT 1

Municipalities of Puerto Rico

1. Municipality of Adjuntas
2. Municipality of Aguada
3. Municipality of Aguadilla
4. Municipality of Aguas Buenas
5. Municipality of Aibonito
6. Municipality of Arecibo
7. Municipality of Arroyo
8. Municipality of Añasco
9. Municipality of Barceloneta
10. Municipality of Barranquitas
11. Municipality of Bayamón
12. Municipality of Cabo Rojo
13. Municipality of Caguas
14. Municipality of Camuy
15. Municipality of Canóvanas
16. Municipality of Carolina
17. Municipality of Cataño
18. Municipality of Cayey
19. Municipality of Ceiba
20. Municipality of Ciales
21. Municipality of Cidra
22. Municipality of Coamo
23. Municipality of Comerío
24. Municipality of Corozal
25. Municipality of Culebra
26. Municipality of Dorado
27. Municipality of Fajardo
28. Municipality of Florida
29. Municipality of Guayama
30. Municipality of Guayanilla
31. Municipality of Guaynabo
32. Municipality of Gurabo
33. Municipality of Guánica
34. Municipality of Hatillo
35. Municipality of Hormigueros
36. Municipality of Humacao
37. Municipality of Isabela
38. Municipality of Jayuya
39. Municipality of Juana Díaz
40. Municipality of Juncos
41. Municipality of Lajas
42. Municipality of Lares

43. Municipality of Las Marías
44. Municipality of Las Piedras
45. Municipality of Loíza
46. Municipality of Luquillo
47. Municipality of Manatí
48. Municipality of Maricao
49. Municipality of Maunabo
50. Municipality of Mayagüez
51. Municipality of Moca
52. Municipality of Morovis
53. Municipality of Naguabo
54. Municipality of Naranjito
55. Municipality of Orocovis
56. Municipality of Patillas
57. Municipality of Peñuelas
58. Municipality of Ponce
59. Municipality of Quebradillas
60. Municipality of Rincón
61. Municipality of Río Grande
62. Municipality of Sabana Grande
63. Municipality of Salinas
64. Municipality of San Germán
65. Municipality of San Juan
66. Municipality of San Lorenzo
67. Municipality of San Sebastián
68. Municipality of Santa Isabel
69. Municipality of Toa Alta
70. Municipality of Toa Baja
71. Municipality of Trujillo Alto
72. Municipality of Utuado
73. Municipality of Vega Alta
74. Municipality of Vega Baja
75. Municipality of Vieques
76. Municipality of Villalba
77. Municipality of Yabucoa
78. Municipality of Yauco

EXHIBIT 2

List of 10 Municipalities

1. Municipality of Quebradillas
2. Municipality of Camuy
3. Municipality of Isabela
4. Municipality of San Sebastián
5. Municipality of Orocovis
6. Municipality of Barranquitas
7. Municipality of Villalba
8. Municipality of Aibonito
9. Municipality of Comerío
10. Municipality of Cidra



CRIM Fiscal Plan Outline

I. Current financial situation

- A. Sources of funds
 - Tax revenue collections
 - Real property taxes
 - Personal property taxes
 - Other sources
- B. Uses of funds
 - Distributions to municipalities
 - Transfers to the Puerto Rico government
 - Debt service
 - Tax exemptions
 - Operational expenses
 - Payroll
 - Other operational expenditures
- C. Accounts receivable
 - Working relationship with municipalities / financial institutions
 - Collection of taxes
 - Levels and age of accounts receivable, by municipality, by type

II. Current operations

- A. Real property
 - Status of real property registry
 - Payment compliance / collection rate
 - Working relationship with municipalities / financial institutions
 - Number of appraisers
- B. Personal property
 - Tax filing compliance
 - Payment compliance / collection rate
 - Working relationship with municipalities
 - Number of auditors

- C. Operational expenditures
 - Number of employees
 - Professional services contracts
 - Outstanding debt

III. Economic Growth projections

- A. Demographics
 - Residential / horizontal properties
- B. Business growth
 - Construction of real properties
 - Personal property

IV. Financial forecasts

- A. 5 years

V. Measures – what can be done to improve collections administratively

- A. Real property taxes
 - Update real property registry
 - Unrecorded properties
 - Incorrect classifications and valuations
 - Administrative guidance regarding exemptions
 - Improved enforcement
 - Improved collection rate
 - Number of appraisers hired
- B. Personal property taxes
 - Improve filing compliance rate
 - Improve tax collection rate
 - Number of auditors hired
- C. Sale of overdue tax debts
- D. Cost-reduction measures

VI. Impact of measures

- A. 5 years
- B. Continuous tracking



Municipal Fiscal Plan Outline

- I. Executive summary (one paragraph)
- II. Vision of municipality's future (one -three paragraphs)
- III. Socioeconomic context (three to five paragraphs)
 - a. Demographics
 - b. Municipal Resources
 - c. Financial Outlook
 - d. Economic development outlook
 - e. Impact of Hurricane María and overview of disaster relief funding
- IV. Projections of municipal revenues and expenditures, including independent forecasts of revenues for the period covered by the fiscal plan (one page, in addition to financial model), including:
 - a. Adequate funding for pensions
 - b. Ensure adequate funding for essential services
- V. Fiscal and budgetary measures (one to two pages):
 - a. Adoption of best and up-to-date financial and budgetary practices to achieve fiscal responsibility pursuant PROMESA's section 201(b)(1), including:
 - i. Proposed expenditure reduction measures and actions for the elimination of structural deficits.
 - ii. Proposed improvements and broadening of municipal revenue collection: measures to increase or improve internal municipal revenue collections (e.g., licenses, SUT, construction permits, rents, other sources of revenue). See PROMESA sections 201(b)(1)(B), (D), (E), (G) – ensure the funding of essential services, elimination of structural deficits, provide for a debt burden that is sustainable, enable the achievement of fiscal targets.
 - iii. Proposed inter-municipal shared services arrangements: 1 or 2 specific shared services measures through an inter-municipal collaboration/framework. Currently, municipalities are allowed by the *Puerto Rico Autonomous Municipalities Act* (P. Law 81-1991) to enter

intermunicipal frameworks, like consortia of administrative services or shared services in the areas of “human resources administration, revenue collection, solid waste management, emergency systems management, Federal funding/grant management, economic development, among others”¹ See PROMESA sections 201(b)(1)(B) and (G) – ensure the funding of essential services and enable the achievement of fiscal targets.

1. Possible specific measures:

- a. Procurement
- b. Public works
- c. Policing/security and emergency services
- d. Permits/land use
- e. Solid waste management
- f. Financial/accounting Services
- g. Digitalization
- h. Federal grant procurement and management
- i. Economic development
- j. The plan may also include other collaborative efforts or shared services agreements currently in place with other municipalities not included in the 10 municipalities that will be covered by a fiscal plan.

iv. Federal, state and NGO’s grant procurement and management plan and performance measures. See PROMESA section 201(b)(1)(F)–improve fiscal governance, accountability and controls.

1. Will include a section on Disaster Recovery.

VI. Economic development strategies (one to two pages)

- a. Capital expenditures and investments necessary to promote economic growth
- b. Strategic projects and initiatives
- c. Potential critical projects under PROMESA Title V
- d. Potential Public-Private Partnerships (P3’s)
- e. Municipal enterprises and franchises allowed by the Municipal Law

VII. Implementation (one page)

- a. Enabling the achievement of fiscal targets
- b. Measuring success, providing key performance indicators for monitoring progress

VIII. Inclusion of additional information and recommendations from the Board pursuant PROMESA sections 201(b)(1)(K)-(L).

¹ 21 L.P.R.A. §§ 4051(p), (y).

IX. Term of fiscal plan: 5 years pursuant PROMESA section 201(b)(2).